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**Committee on Education
House of Representatives**

Austin , Texas 78767

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Nov. 25, 1974

The Honorable Price Daniel Jr., Speaker of the House
House of Representatives

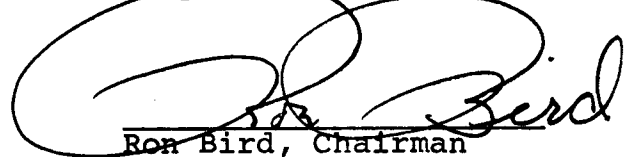
Dear Mr. Speaker and Members:

Your Subcommittee on Foundations has completed its study regarding the possibility of obtaining financial aid for schools from philanthropic organizations.

Our findings, as set out in this report, point to a real solution to the State's problem of funding its educational institutions.

We hope this document will clarify the role foundations have been playing, and can continue to play, in the financing of public schools.

Respectfully submitted,


Ron Bird, Chairman


Andrew Baker


T. H. McDonald

Report of the Subcommittee on Foundations

The expressed purpose of the Foundations Subcommittee's work was to research the feasibility of financial assistance to educational institutions from philanthropic organizations.¹

It was found that there is a clear possibility of coopération between private foundations and the State to finance public schools in Texas. Limitations governing the status of private foundations, as set forth in the IRS Code, and Section 21.903 of the Texas Education Code, relating to donations to public schools, coupled with an obvious desire on the part of the foundations to play a role in educational finance justifies further investigation of this funding source.

For the purpose of this study, foundations are defined according to the IRS Code as "corporations, and any community chest, fund or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inure to the benefit of any private shareholder or individual,

1. As defined by Section 509 of the Internal Revenue Code.

no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation, and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office."

The only requirement placed on an educational institution by the IRS Code is that it "normally maintain a regular faculty and curriculum and normally have a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on."

The Texas Education Code restricts acceptance and use of donations by stating: "(a) All conveyances, devises, and bequests of property for the benefit of the public schools made by anyone for any county, city, town or district shall, when not otherwise directed by the grantor or devisor, vest the property in the county school trustees, the board of trustees of the city, town, or district, or their successors in office as trustees for those to be benefitted thereby. (b) The funds or other property donated or the income therefrom may be expended by the trustees:

- (1) for any purpose designated by the donor so long

as that purpose is in keeping with the lawful purposes of the schools for the benefit of which the donation is made; or

(2) for any purpose authorized by the commissioner of education in the event that no specific purpose is designated by the donor."

Keeping these restrictions in mind, a survey was conducted during the summer months of 1974 of the 232 private foundations in Texas to determine the extent of interest in school finance. Out of the 232 foundations contacted, 133 responded, indicating a successful survey with greater than 50 per cent response.

The survey questions were designed to ascertain (1) whether a given foundation has, during the last five years, contributed funds towards higher, secondary or primary education; (2) if the contributions were repeated during the last five years; (3) if the contribution was repeatedly given to the same institution; (4) whether the institution was public or private; (5) and, given the opportunity to contribute funds for educational purposes, if the foundation would prefer (a) single purpose contributions (to be spent as the foundation requests) or (b) general contributions (to use as officials see fit). The foundations were asked if they prefer contributing

to public or private institutions at the primary, secondary or higher educational levels. Those foundations which have never contributed funds toward education were to indicate that they were limited in purpose.

Of the 133 respondents, 116 indicated making contributions toward higher education while 15 foundations reported no donations. Contributions to secondary education from private foundations numbered 79, with 51 foundations indicating they had not contributed funds for that purpose. Fifty-six foundations reported contributing funds.

Private educational institutions received funds from 98 Texas foundations and 89 foundations contributed to public institutions.

When the foundations were given a preference as to the method and recipient of their donations, 61 indicated they would prefer single purpose contributions, while 29 would make general contributions. Thirty-nine said they would prefer to donate to public institutions while 118 foundations preferred to give to private institutions.

For the most part, the responding foundations would contribute to higher education rather than primary and secondary. Sixty-four indicated a desire to fund higher education, with 24 preferring secondary and 14, primary schools.

Because the response to the survey was immediate and quantitative, it is clear that the private foundations of Texas, at present, take an active part in the financing of education, both public and private, and plan to continue making such contributions in the future. In light of this desire on the part of the foundations, this committee urges education officials and the Texas Education Agency to actively pursue this avenue of school finance. The TEA, or other such agency, could perform a valuable service by acting as a clearing house to bring together foundations and needy educational institutions.

As school officials search for funds to finance the quality education Texans want for their children, the state's philanthropic organizations should not be overlooked, for they constitute a valuable resource waiting to be tapped.